

AUTHENTICATED
SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into between the United States of America, Department of Energy, acting by and through the Bonneville Power Administration ("BPA"), and PacifiCorp. BPA and PacifiCorp shall be referred to collectively as "the Parties."

WHEREAS, BPA has entered into certain agreements with PacifiCorp and PacifiCorp's predecessor-in-interest, Pacific Power & Light Company ("Pacific Power"), including the 1973 Exchange Agreement, Contract No. 14-03-29425 ("Exchange Agreement") and the 1982 General Transfer Agreement, Contract No. DE-MS79-82BP90049 ("Transfer Agreement").

WHEREAS, beginning on November 16, 2000, and continuing until April 4, 2001, a meter malfunction at the BPA-owned Martin Creek substation caused PacifiCorp to supply all of the energy requirements for the Latham substation, through which BPA ordinarily serves its customer, Emerald People's Utility District.

WHEREAS, PacifiCorp subsequently discovered the Martin Creek meter malfunction and informed BPA of the malfunction.

WHEREAS, on July 3, 2002, after the Parties had been unable to resolve their dispute with respect to the Martin Creek meter malfunction, PacifiCorp sent BPA a written demand for arbitration pursuant to the arbitration provisions of the Exchange Agreement and Transfer Agreement.

WHEREAS, BPA denied that either the Exchange Agreement or the Transfer Agreement applied to the dispute, and denied further that the arbitration clause of either agreement would apply even if either agreement did apply.

WHEREAS, on August 8, 2002, PacifiCorp filed a precautionary petition for review in the U.S. Court of Appeals for the Ninth Circuit ("Ninth Circuit Petition"), in order to have complied with the Northwest Power Act's ninety-day limitations period in the event it was ultimately determined that PacifiCorp's claim was not arbitrable and that the claim fell within the Ninth Circuit's exclusive jurisdiction.

WHEREAS, on September 10, 2002, PacifiCorp filed a Petition for Order Compelling Arbitration in the U.S. District Court for the District of Oregon (the "District Court Action").

WHEREAS, on May 1, 2003, the District Court granted PacifiCorp's Petition in the District Court Action under the Transfer Agreement.

WHEREAS, on June 27, 2003, BPA filed a Notice of Appeal of the District Court's May 1, 2003 order ("Bonneville Appeal").

WHEREAS, the Parties now desire to resolve this dispute.

NOW, THEREFORE, in consideration of the covenants and promises herein and other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. "Effective Date" means the date on which this Agreement has been executed by both Parties. This Agreement shall become effective on the Effective Date.

2. BPA's Obligations.

2.1. BPA will deliver to PacifiCorp 100 megawatts of WSPP Schedule C firm energy, in all Heavy Load Hours, in each of July and August 2003, and 50 megawatts of WSPP Schedule C firm energy, in all Heavy Load Hours, in October 2003. This delivery shall be effected by, and Heavy Load Hours and the Point of Delivery shall be as defined in, Contract No. 03PB-26118, executed by BPA and PacifiCorp on June 27, 2003. PacifiCorp shall preschedule all energy as provided in such contract.

2.2. Within 15 days of the Effective Date, BPA will dismiss the Bonneville Appeal with prejudice.

3. PacifiCorp's Obligations.

3.1. Within 15 days of the Effective Date, PacifiCorp will dismiss the District Court Action with prejudice.

3.2. Within 15 days of the Effective Date, PacifiCorp will dismiss the Ninth Circuit Petition with prejudice.

3.3. Within 15 days of the Effective Date, PacifiCorp will send a letter to BPA's Freedom of Information Act ("FOIA") officer, withdrawing the FOIA requests that PacifiCorp's counsel submitted to BPA in May 2003.

4. Effect of Agreement. This Agreement and Contract No. 03PB-26118 constitute a compromise of disputed claims and shall not be construed as an admission of liability on the part of either party. The Parties have entered into this Agreement and Contract No. 03PB-26118 solely for the purpose of avoiding the expense and inconvenience of litigation and arbitration. Neither this Agreement nor Contract No. 03PB-26118 shall constitute an admission by either party regarding the Parties' respective rights under the Exchange Agreement or the Transfer Agreement. Neither this Agreement nor Contract No. 03PB-26118 shall serve as an interpretation of the Exchange Agreement or Transfer Agreement or as precedent for any future action or dispute. Neither this Agreement nor Contract No. 03PB-26118 shall be admissible regarding the Parties' respective rights under the Exchange Agreement or Transfer Agreement or for any other purpose in any future court proceeding or administrative

proceeding, except that this Agreement is admissible to effectuate the terms of this Agreement or in any action alleging a breach of this Agreement.

5. Release. BPA and PacifiCorp hereby mutually release and discharge each other, and their predecessors, successors, assigns, present and former officers, directors, agents, employees, attorneys, representatives, and affiliated organizations, from any cause of action, liability, lien, or loss of any nature whatsoever, known or unknown, fixed or contingent, that they, their successors, or assigns ever had, now have, or hereafter may have against each other that is based in whole or in part upon the Martin Creek meter malfunction that occurred from November 16, 2000, through April 4, 2001. This release may be pleaded as the full and complete defense to any action, suit, or other proceeding that may be instituted, prosecuted, or attempted by any party in breach of this release.

6. Entire Understanding/Modification. This Agreement and Contract No. 03PB-26118 constitute the entire agreement between the Parties and shall not be varied, amended, or supplemented except by an instrument in writing executed by each party. There are no covenants, representations, or undertakings other than those expressly set forth in this Agreement and Contract No. 03PB-26118.

7. Counterparts. This Agreement may be executed in counterparts by the Parties and such counterparts, once executed, shall together constitute one final agreement binding the Parties to this Agreement as if one document had been signed by both Parties.

IN WITNESS WHEREOF, intending to be legally bound, the Parties hereto have fully executed this Agreement in counterparts effective as of the Effective Date.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

PACIFICORP

By: /S/ STEPHEN R. OLIVER
Print Name: Stephen R. Oliver
Title: Vice President
Date: July 11, 2003

By: /S/ STAN WATTERS
Print Name: Stan Watters
Title: Senior Vice President
Date: July 11, 2003



Department of Energy
Bonneville Power
Administration
P.O. Box 3621
Portland, OR 97208-3621

AUTHENTICATED

Date: June 27, 2003
To: PacifiCorp
825 NE Multnomah St.
Suite 600
Portland, OR 97232
Attn: Stacey Kusters
Fax: 503-813-6260

Presch: 503-813-5438
Real Time: 503-813-5374/5389
PS/RT FAX: 503-813-5512

**POWER BUSINESS LINE
Trader and Scheduling Phones**

Brenda Anderson	(503) 230-5610
Dan Le	(503) 230-3144
Young Linn	(503) 230-3183
Bill Lamb	(503) 230-3135
BPA Trading Floor Fax	(503) 230-7463
BPA Preschedule Fax	(503) 230-3039
BPA SW Preschedule	(503) 230-3915
BPA NW Preschedule	(503) 230-3813
BPA S. Idaho Presch.	(503) 230-4311
BPA Real Time	(503) 230-3341 or 230-4194

The following memorializes the terms of a transaction agreed to by Bonneville Power Administration (BPA) and PacifiCorp (PAC). Transactions hereunder are in accordance with reference contract 03PB-11365.

Transaction Date: 6/26/2003 **Traders:** Mark Miller (BPA) and Stacey Kusters (PAC)
BPA Contract: 03PB-26118

Seller of Energy: BPA
Buyer of Energy: PacifiCorp
Product: Surplus Firm Power (WSPP, Schedule C)
Point of Delivery: PAC West

Start of Term	End of Term	Demand Limit	Hours	Amount (MWH/hr)	Total MWh	Price	Holiday Excluded	Revenue / Cost
7/1/2003	7/31/2003	100	HLH	100	41,600	\$0	7/4/2003	\$0
8/1/2003	8/31/2003	100	HLH	100	41,600	\$0		\$0
10/1/2003	10/31/2003	50	HLH	50	21,600	\$0		\$0
Energy Transaction Total:					104,800			\$0

Additional Provisions

This transaction is part of a settlement of certain disputed issues concerning the November 2000 - April 2001, Martin Creek meter malfunction. The settlement will be memorialized in a separate Settlement Agreement, Contract No. 03PB-11365.

Scheduling

All energy will be shown in Pacific Prevailing Time.

~ HLHs are defined as HE 0700 – HE 2200, Monday through Saturday (excludes Sundays and NERC holidays).

~ LLHs are defined as HE 0100 – HE 0600, HE 2300 and HE 2400, Monday through Saturday and all day Sundays and NERC holidays.

~ All or FLH is defined as HE 0100 – HE 2400.

Energy shall be prescheduled, with source and sink identified, by 1100, or as mutually agreed, on the day that both parties observe as a workday preceding the date of delivery. The WSPP, Schedule C product specifically says all transactions shall be prescheduled and does not provide for real time modifications except by mutual agreement or due to an uncontrollable force.

If the above accurately reflects your understanding of our agreement, please indicate your approval by signing a copy of this agreement and returning via fax to BPA.

AGREED AND ACCEPTED

Bonneville Power Administration

PacifiCorp

/S/ STEPHEN R. OLIVER, V.P.
for:

David J. Armstrong

Trading Floor Manager

Date: June 27, 2003

/S/ STAN WATTERS

Name: Stan Watters

Title: Senior Vice President

Date: June 27, 2003